

Chipmaker Broadcom to buy VMware for \$61 bn

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Broadcom announced Thursday a \$61-billion deal to purchase cloud computing firm VMware in a giant tech transaction that expands the

chipmaker's software offerings.

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The combination is designed to boost Broadcom's offerings to customers enabling "greater choice and flexibility to build, run, manage, connect and protect applications at scale across diversified, distributed environments," said a joint press release from the companies announcing the [deal](#).

Led by chief executive Hock Tan, Broadcom has grown by acquisition, reporting fiscal 2021 revenues of about \$27.5 billion.

In 2017, Broadcom made an unsolicited offer to acquire rival chipmaker Qualcomm for \$117 billion, but the transaction was blocked by then-president Donald Trump's administration on national security grounds.

Qualcomm's activities are mostly in the United States, but it is based in Singapore.

The deal with VMware would dilute Broadcom's dependence on semiconductor revenues amid concerns of "chip cycle peaking," said a note from UBS that also alluded to concerns about higher debt levels due to the deal.

Under the transaction, VMware shareholders can elect to receive either \$142.50 in cash or slightly more than one-fourth of a Broadcom share for each VMware share. That represents a premium of 49 percent compared with VMware's stock price Friday before news reports of the deal surfaced.

Broadcom will also assume \$8 billion of VMware debt.

VMware was spun out of Dell Technologies in 2021.

Michael Dell and private equity firm Silver Lake, who own 40.2 percent and 10 percent of VMware shares respectively, have signed in support of the deal so long as the VMware board backs the transaction, the press release said,

Shares of VMware rose 0.9 percent to \$121.65 in morning trading, while Broadcom gained 1.9 percent to \$541.89.

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